

LAURENS MUNICIPAL LIGHT AND POWER PLANT
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

DECEMBER 31, 2007

LAURENS MUNICIPAL LIGHT AND POWER PLANT

LAURENS, IOWA

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LAURENS MUNICIPAL LIGHT AND POWER PLANT

LAURENS, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brad Olsen	Trustee	April, 2009
Robert O. Braesch	Trustee	April, 2011
Richard Main	Trustee	April, 2013

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Laurens Municipal Light and Power Plant
Laurens, Iowa

We have audited the accompanying balance sheets of Laurens Municipal Light and Power Plant, a component unit of City of Laurens, as of and for the years ended December 31, 2007 and 2006 and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Utility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laurens Municipal Light and Power Plant as of December 31, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2008 on our consideration of Laurens Municipal Light and Power Plant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

June 23, 2008



MANAGEMENT'S DISCUSSION AND ANALYSIS

Laurens Municipal Light and Power Plant provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2007. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Utility's operating revenues increased 11%, or \$227,001, from 2006 to 2007.
- The Utility's operating expenses were 9%, or \$187,946, less in 2007 than in 2006.
- The Utility's net assets decreased 2 %, or \$94,536, from December 31, 2006 to December 31, 2007.

USING THIS ANNUAL REPORT

Laurens Municipal Light and Power Plant is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Laurens Municipal Light and Power Plant's financial statements. The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Utility's financial activities.
- The Balance Sheets present information on the Utility's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.
- The Statements of Revenues, Expenses and Changes in Net Assets are the basic statement of activities for proprietary funds. This statement presents information on the Utility's operating revenues and expenses, non-operating revenues and expenses, and whether the Utility's financial position has improved or deteriorated as a result of the year's activities.
- The Statements of Cash Flows present the change in the Utility's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Utility financed its activities and how it met its cash requirements.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE UTILITY

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Utility's financial position. The Utility's net assets for 2007 totaled approximately \$4,771,000. This compares to approximately \$4,865,000 for 2006. A summary of the Utility's net assets is presented below.

	<u>2007</u>	<u>2006</u>
Current assets	\$1,429,358	\$1,638,320
Other assets	1,458,685	1,515,548
Capital assets at cost, less accumulated depreciation	<u>3,833,892</u>	<u>3,842,657</u>
Total assets	<u>6,721,935</u>	<u>6,996,525</u>
Current liabilities	729,933	707,409
Non-current liabilities	<u>1,221,449</u>	<u>1,424,027</u>
Total liabilities	<u>1,951,382</u>	<u>2,131,436</u>
Net assets:		
Invested in capital assets, net of related debt	2,407,443	2,223,630
Restricted	396,281	396,195
Unrestricted	<u>1,966,829</u>	<u>2,245,264</u>
Total net assets	<u>\$4,770,553</u>	<u>\$4,865,089</u>

A portion of the Utility's net assets (41%) are unrestricted and can be used to meet the Utility's obligations as they come due. The invested in capital assets (51%, e.g., land, buildings, and equipment), less the related debt are resources allocated to capital assets. The restricted net assets (8%) represent resources that are subject to restrictions as required by the electric revenue bond resolution.

FINANCIAL ANALYSIS OF THE UTILITY – (Continued)**Statement of Revenues, Expenses and Changes in Net Assets**

Operating revenues are received for the sale of electrical energy. Operating expenses are expenses paid to operate the Utility. Non-operating revenues and expenses are primarily for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ended December 31, 2007, is presented below:

	<u>Changes in Net Assets</u>	
	<u>2007</u>	<u>2006</u>
Operating revenues:		
Sales of electrical energy	\$2,114,762	\$1,899,629
Other operating revenues	<u>191,411</u>	<u>179,543</u>
	<u>2,306,173</u>	<u>2,079,172</u>
Operating expenses:		
Cost of power	1,520,049	1,374,856
Depreciation and amortization	366,329	348,605
Administrative and general expense	224,807	208,164
Transmission expense	57,884	56,048
Distribution expenses - maintenance	52,351	60,235
Distribution expenses - operations	58,628	50,738
Taxes	33,571	29,133
Customers' accounts expense	<u>12,274</u>	<u>10,168</u>
Total operating expenses	<u>2,325,893</u>	<u>2,137,947</u>
Operating loss	(19,720)	(58,775)
Non-operating revenue and expense:		
Revenues from merchandising	32,480	33,932
Costs of merchandising	<u>26,410</u>	<u>25,128</u>
Gross profit	6,070	8,804
Interest earned on investments	125,152	118,260
Amortization of bond issue costs	(2,406)	(2,406)
Interest expense	(79,012)	(87,831)
Deferred patronage allocation	<u>6,802</u>	<u>6,356</u>
Non-operating income	<u>56,606</u>	<u>43,183</u>
Change in net assets	36,886	(15,592)
Net assets, beginning of year	4,865,089	5,109,182
Less: Residual equity transfer to City - funding	(100,000)	(201,500)
Residual equity transfer to City - donation	<u>(31,422)</u>	<u>(27,001)</u>
Net assets, end of year	<u>\$4,770,553</u>	<u>\$4,865,089</u>

The Statements of Revenues, Expenses and Changes in Net Assets reflect a negative year with a decrease in the net assets from 2006 to 2007.

The Utility's operating revenues increased 11%, or \$227,001, from 2006 to 2007 because the electric rates were increased 10% across the board and the Utility also sold more energy (Kwh) throughout the year.

The Utility's operating expenses increased 9%, or \$187,946, from 2006 to 2007 because of the volatility of the power market.

FINANCIAL ANALYSIS OF THE UTILITY – (Continued)

Statements of Cash Flows

The Statements of Cash Flows presents information related to cash inflows and outflows, summarized by operating, non-capital financing, capital and related financing, and investing activities. Cash provided by operating activities includes charges for service reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes the purchase and construction of utility plant. Cash used by investing activities includes purchase and sale of certificates of deposits and interest income.

CAPITAL ASSETS

At December 31, 2007, the Utility had approximately \$3,830,000 invested in capital assets, net of accumulated depreciation of approximately \$5,600,000. Depreciation charges totaled \$361,485 for 2007. More detailed information about the Utility's capital assets is presented in Note 3 to the financial statements.

LONG-TERM DEBT

At December 31, 2007, the Utility had \$1,435,000 in debt outstanding, a decrease of \$195,000 from 2006. The table below summarizes outstanding debt by type.

	<u>2007</u>	<u>2006</u>
Electric revenue bonds	<u>\$1,435,000</u>	<u>\$1,630,000</u>

Additional information about the Utility's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

The current condition of the economy in the state continues to be a concern for Utility officials. Some of the realities that may potentially become challenges for the Utility to meet are:

- Facilities at the Utility require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- With our customers increasing load requirements and the age of Neal 4 Generation Plant, securing additional base load power is an ongoing challenge.
- There is the potential of new legislation by the Federal and/or State legislature to establish Green Energy and Energy Efficiency requirements for all electric utilities.

CONTACTING THE UTILITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laurens Municipal Power and Communications Utility, 272 N. Third Street, Laurens, Iowa.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
BALANCE SHEETS
DECEMBER 31, 2007 AND 2006

Exhibit A

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
<u>UTILITY PLANT</u>		
Utility plant in service	\$9,393,108	\$9,051,077
Construction in progress	<u>32,955</u>	<u>62,325</u>
	9,426,063	9,113,402
Less accumulated depreciation	<u>5,592,171</u>	<u>5,270,745</u>
Total net capital assets	<u>3,833,892</u>	<u>3,842,657</u>
<u>OTHER ASSETS</u>		
Plant acquisition costs - net of amortization of \$92,034 in 2007 and \$87,191 in 2006	20,829	25,672
Notes receivable – non-current portion	563,425	570,491
Common transmission system - capital improvement fund	221,021	168,960
Investments	200,000	300,000
Bond issuance costs - net of amortization of \$22,858 in 2007 and \$20,452 in 2006	16,642	19,048
Bond improvement fund	100,000	100,000
Bond reserve fund	273,500	273,500
Bond retirement sinking fund	22,781	22,695
Deferred patronage refund receivable	<u>40,487</u>	<u>35,182</u>
Total other assets	<u>1,458,685</u>	<u>1,515,548</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	-	69,608
Temporary cash investments	700,000	900,000
Accounts receivable (less provision for doubtful accounts of \$11,000 in 2007 and \$5,000 in 2006)	317,625	285,803
Notes receivable – current portion	7,066	6,745
Joint use contract receivable	175,000	165,000
Inventories	151,310	137,902
Accrued interest receivable	42,420	46,466
Prepaid expenses	<u>35,937</u>	<u>26,796</u>
Total current assets	<u>1,429,358</u>	<u>1,638,320</u>
 Total assets	 <u>\$6,721,935</u>	 <u>\$6,996,525</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
BALANCE SHEETS
DECEMBER 31, 2007 AND 2006

Exhibit A
(Continued)

LIABILITIES AND NET ASSETS

	<u>2007</u>	<u>2006</u>
<u>LONG-TERM DEBT, LESS CURRENT MATURITIES</u>		
Electric revenue bonds - net of unamortized discount of \$8,551 in 2007 and \$10,973 in 2006	<u>\$1,221,449</u>	<u>\$1,424,027</u>
<u>CURRENT AND ACCRUED LIABILITIES</u>		
Current maturities of revenue bonds	205,000	195,000
Due to communications utility	322,746	269,034
Accounts payable	126,870	162,990
Customer deposits	18,557	19,774
Other current and accrued liabilities	<u>56,760</u>	<u>60,611</u>
Total current and accrued liabilities	<u>729,933</u>	<u>707,409</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	2,407,443	2,223,630
Restricted	396,281	396,195
Unrestricted - designated	1,121,021	1,368,960
Unrestricted	<u>845,808</u>	<u>876,304</u>
Total net assets	<u>4,770,553</u>	<u>4,865,089</u>
Total liabilities and net assets	<u>\$6,721,935</u>	<u>\$6,996,525</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Exhibit B

	<u>2007</u>	<u>2006</u>
<u>OPERATING REVENUES</u>	<u>\$2,306,173</u>	<u>\$2,079,172</u>
<u>OPERATING EXPENSES</u>		
Cost of power	1,520,049	1,374,856
Depreciation and amortization	366,329	348,605
Administrative and general expense	224,807	208,164
Transmission expense	57,884	56,048
Distribution expenses - maintenance	52,351	60,235
Distribution expenses - operations	58,628	50,738
Taxes	33,571	29,133
Customers' accounts expense	<u>12,274</u>	<u>10,168</u>
Total operating expenses	<u>2,325,893</u>	<u>2,137,947</u>
Operating loss	(19,720)	(58,775)
<u>NON-OPERATING REVENUE AND EXPENSE</u>		
Revenues from merchandising	32,480	33,932
Costs of merchandising	<u>26,410</u>	<u>25,128</u>
Gross profit	6,070	8,804
Interest earned on investments	125,152	118,260
Amortization of bond issue costs	(2,406)	(2,406)
Interest expense	(79,012)	(87,831)
Deferred patronage allocations	<u>6,802</u>	<u>6,356</u>
Non-operating income	<u>56,606</u>	<u>43,183</u>
Change in net assets	36,886	(15,592)
Net assets, beginning of year	4,865,089	5,109,182
Less: Residual equity transfer to City – activity funding	(100,000)	(201,500)
Residual equity transfer to City - donation	<u>(31,422)</u>	<u>(27,001)</u>
Net assets, end of year	<u>\$4,770,553</u>	<u>\$ 4,865,089</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Exhibit C

	<u>2007</u>	<u>2006</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from customers	\$2,257,134	\$ 2,040,889
Cash paid to suppliers for goods and services	(1,785,617)	(1,734,474)
Cash paid to employees for services	(229,720)	(199,101)
Net cash provided by operating activities	<u>241,797</u>	<u>107,314</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Net repayment of outstanding checks in excess of bank balance	-	(118,433)
Advances from telecommunications utility	53,712	26,243
Payments to city	(131,422)	(228,501)
Net cash used in non-capital financing activities	<u>(77,710)</u>	<u>(320,691)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition and construction of utility plant	(352,720)	(218,702)
Principal paid on bonds	(195,000)	(185,000)
Interest paid on bonds	(77,338)	(85,847)
Net cash used in capital and related financing activities	<u>(625,058)</u>	<u>(489,549)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investments matured or sold	1,350,000	2,141,283
Purchase of investments	(1,102,061)	(1,506,050)
Collections on notes receivable	6,745	6,417
Sale of resale merchandise	32,480	33,932
Purchase of resale merchandise	(26,410)	(25,128)
Interest received	129,198	120,617
Patronage dividends received	1,497	1,587
Purchase of restricted cash	(86)	(124)
Net cash provided by investing activities	<u>391,363</u>	<u>772,534</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>(69,608)</u>	<u>69,608</u>
Cash and cash equivalents at beginning of year	<u>69,608</u>	<u>-</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ -</u>	<u>\$ 69,608</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Exhibit C
(Continued)

	<u>2007</u>	<u>2006</u>
<u>RECONCILIATION OF OPERATING LOSS TO CASH</u> <u>PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating loss	\$ (19,720)	\$ (58,775)
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	366,329	348,605
Provisions for bad debts	6,000	4,000
Changes in assets and liabilities:		
Increase in accounts receivable	(47,822)	(41,477)
Increase in inventory	(13,409)	(81,515)
Increase in prepaid expenses	(9,141)	(22,219)
Decrease in deferred debits	-	3,083
Decrease in accounts payable	(36,120)	(43,042)
Decrease in other liabilities	<u>(4,320)</u>	<u>(1,346)</u>
Total adjustments	<u>261,517</u>	<u>166,089</u>
Net cash provided by operating activities	<u>\$ 241,797</u>	<u>\$ 107,314</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Laurens Municipal Light and Power Plant is a component unit of City of Laurens. The Mayor appoints the trustees of the Utility subject to approval by the City Council. The City Council also approves the Utility's operating budget.

Laurens Municipal Light and Power Plant generates and distributes electric energy to consumers in Laurens, Iowa. Sales of electricity are billed on the twenty-fifth of each month for usage through the fifteenth of the month. As has been done in prior years, an unbilled receivable in the amount of \$80,243 has been recorded (\$80,477 at December 31, 2006) for the period December 15 through December 31. Laurens Municipal Light and Power Plant is billed by their suppliers on a calendar month basis.

The Utility's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standard Board.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reporting Entity

For financial reporting purposes, Laurens Municipal Light and Power Plant has included all funds, organizations, agencies, boards, commissions, and authorities. The Utility has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Utility are such that exclusion would cause the Utility's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Utility. Laurens Municipal Light and Power Plant has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of Laurens Municipal Light and Power Plant are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Measurement Focus and Basis of Accounting - (Continued)

The Utility applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash, Investments, and Cash Equivalents - Investments are carried at cost which approximates market value. For the purpose of reporting cash flows, cash and cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Inventories - Inventories are stated at the lower of cost or replacement value. Cost is determined on a weighted average method.

Utility Plant - Utility plant is stated at cost. Cost of labor, materials, supervision, and other costs incurred making improvements and replacements to the system, except minor replacements, are charged to the plant accounts while such costs incurred in making normal repairs, minor replacements, and maintaining the assets in efficient operating condition are charged to expense.

Provisions for depreciation of generating, transmission, and distribution plant are computed on a straight-line basis employing a group method. The original costs of assets retired (not constituting the sale of an operating unit or system) together with the costs of removal less salvage are charged to the related accumulated depreciation accounts. In accounting for the sale of operating units or systems, gains or losses are reflected in net revenue.

Provisions for depreciation of general plant are computed on a straight-line basis employing the unit depreciation method. The original cost of property retired is removed from the general plant accounts and the related accumulated depreciation accounts are charged for the depreciation taken to date. Gain or loss is recognized to the extent that the salvage value of the assets retired exceeds or falls short of the remaining book value of the assets retired.

Amortization - The cost of acquiring a portion of the common transmission system is being amortized over the remaining useful life of the assets.

Legal fees and other expenses associated with the issuance of the electric revenue notes are being amortized on the straight-line method over the term of the bonds. Amortization charged to expense in 2007 and 2006 was \$2,406.

Compensated Absences - Utility employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Utility's liability for accumulated vacation has been computed based on rates of pay in effect at December 31, 2007.

Budgets and Budgetary Accounting - The Board of Trustees annually adopts a budget on the accrual basis following required public notice and hearing in accordance with the Code of Iowa. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following is a comparison of revenues, expenses, and changes in net assets - actual to budget:

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Revenues:				
Use of money and property	\$ 125,152	\$ 115,000	\$ 125,000	\$ 152
Charges for services	2,130,865	2,034,000	2,110,000	20,865
Miscellaneous	214,590	214,000	225,000	(10,410)
	2,470,607	2,363,000	2,460,000	10,607
Expenses	2,433,721	2,313,000	2,410,000	(23,721)
Net	36,886	50,000	50,000	(13,114)
Net assets, beginning of year	4,865,089	4,865,089	4,865,089	-
Residual equity transfer to City - funding	(100,000)	(50,000)	(50,000)	(50,000)
Residual equity transfer to City - donation	(31,422)	-	-	(31,422)
Net assets, end of year	\$4,770,553	\$4,865,089	\$4,865,089	\$ (94,536)

2. DEPOSITS

The Utility's deposits in banks at December 31, 2007, were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the Utility had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$100,482 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The Utility's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utility.

The Utility had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statement Number 3, as amended by Statement 40.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

3. PLANT AND DEPRECIATION PROCEDURES

Listed below are the major classes of plant as of December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Land and land rights	\$ 79,912	\$ 77,283
Generating plant	2,484,523	2,460,595
Transmission plant	1,065,117	1,057,531
Transmission plant - Corn Belt	1,164,294	1,109,979
Distribution plant	1,784,321	1,750,348
Communication plant	2,523,803	2,310,920
Other equipment	<u>291,138</u>	<u>284,421</u>
Plant in service	<u>\$9,393,108</u>	<u>\$9,051,077</u>

Provision for depreciation and amortization has been computed at straight-line rates over the estimated useful lives of the property.

4. ELECTRIC REVENUE BONDS

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	\$ 205,000	\$ 68,367	\$ 273,367
2009	205,000	58,938	263,938
2010	205,000	49,302	254,302
2011	205,000	39,668	244,668
2012	205,000	29,827	234,827
2013	205,000	19,988	224,988
2014	<u>205,000</u>	<u>9,994</u>	<u>214,994</u>
	1,435,000	276,084	1,711,084
Less: Current maturities	(205,000)	-	(205,000)
Unamortized discount	<u>(8,551)</u>	<u>-</u>	<u>(8,551)</u>
	<u>\$1,221,449</u>	<u>\$ 276,084</u>	<u>\$1,497,533</u>

The resolutions providing for the issuance of revenue bonds include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the funds.
- B. Sufficient monthly transfers shall be made to electric revenue sinking account for the purpose of making the bond principal and interest payments when due.
- C. The Utility is to establish a separate Bond Reserve Account into which there shall be set apart and paid at the time of delivery of the obligations the sum of \$273,500.
- D. Additional monthly transfers of \$2,000 to the Bond Improvement Fund shall be made until the sum of \$100,000 has been accumulated. This account is restricted for the purpose of paying for necessary repairs, improvements, and extension to the system

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

5. RESTRICTED AND DESIGNATED NET ASSETS

Net assets have been restricted and designated in amounts necessary to fund the following specific reserves:

	<u>2007</u>	<u>2006</u>
Restricted:		
Bond retirement sinking fund	\$ 22,781	\$ 22,695
Bond reserve fund	273,500	273,500
Bond improvement fund	<u>100,000</u>	<u>100,000</u>
	<u>\$ 396,281</u>	<u>\$ 396,195</u>
Unrestricted:		
Designated:		
Distribution replacement reserve	\$ 100,000	\$ 200,000
Contingency, depreciation, and extension	-	400,000
Generation reserve fund	800,000	600,000
Common transmission system - capital improvement fund	<u>221,021</u>	<u>168,960</u>
	<u>1,121,021</u>	<u>1,368,960</u>
Undesignated	<u>845,808</u>	<u>876,304</u>
	<u>\$1,966,829</u>	<u>\$2,245,264</u>

6. NOTE RECEIVABLE

On January 1, 2004, the Utility received a note for \$194,025 in exchange for the construction of a 69/12.5 KV substation for the City of Marathon. The note requires monthly payments of \$1,288 including interest of 5.00% through February 2024. On March 24, 2006 the Utility loaned \$400,000 to Laurens Industrial Foundation, Inc. to be used for economic development within the city. The terms of the note are interest only for the first five years with the principal balance due March 24, 2010.

7. COMMON TRANSMISSION SYSTEM – CAPITAL IMPROVEMENT FUND

This account is currently used to record funds deposited with NIMECA to be used for future construction and/or maintenance of the common transmission.

8. PENSION AND RETIREMENT BENEFITS

The Utility contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% (3.70% through June 30, 2007) of their annual covered salary and the Utility is required to contribute 6.05% (5.75% through June 30, 2007) of annual covered payroll. Contribution requirements are established by State statute. The Utility's contribution to IPERS for the years ending December 31, 2007, 2006, and 2005, were \$12,188, \$10,015, and \$10,135, respectively, equal to the required contributions for each year.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

9. RISK MANAGEMENT

Laurens Municipal Light and Power Plant is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. SIGNIFICANT AREA CONCENTRATION OF CREDIT RISK

The Utility extends credit to its customers on terms no more favorable than standard terms of the industry it serves. A substantial portion of the Utility's customers are located in Laurens, Iowa. The Utility's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts.

11. RELATED PARTY TRANSACTION

Pursuant to Iowa Code Chapter 28E.18 concerning the joint use of facilities through sharing agreements, the Laurens Municipal Light and Power Plant and the Laurens Municipal Broadband Communications Utility have entered into an agreement whereby the Communications Utility shall pay the Electric Utility the sum of \$175,000 on or before the first day of June each year for the use of a portion of the Communications distribution system for the previous calendar year. The term of this agreement is forty years and the payments are due June 1, of each year.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
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Board of Trustees
Laurens Municipal Light and Power Plant
Laurens, Iowa

The primary purpose of our examination was to formulate an opinion on the financial statements taken as a whole. The additional information presented in the following pages was prepared on the basis of audit procedures applied in our examination of the financial statements. This information, while not considered necessary for fair presentation of the financial statements is, in our opinion, fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

June 23, 2008

Hunzelman, Putzier & Co.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>Electric</u>	<u>Electric Communications</u>	<u>Total</u>	<u>2006 Total</u>
<u>OPERATING REVENUES</u>				
Sales of electrical energy:				
Residential	\$ 645,355	\$ -	\$ 645,355	\$ 576,587
Commercial	911,709	-	911,709	811,545
Resale	463,335	-	463,335	414,560
Marathon	94,363	-	94,363	96,937
Forfeited discounts	4,567	-	4,567	3,574
Sales of steam	11,536	-	11,536	10,969
Miscellaneous	308	-	308	-
Joint use agreement	-	175,000	175,000	165,000
Total operating revenue	<u>2,131,173</u>	<u>175,000</u>	<u>2,306,173</u>	<u>2,079,172</u>
<u>OPERATING EXPENSES</u>				
Purchased energy	<u>1,147,025</u>	<u>-</u>	<u>1,147,025</u>	<u>1,014,615</u>
Generating plant - local:				
Operating supervision and labor	23,024	-	23,024	23,029
Fuel	4,765	-	4,765	5,861
Operating supplies	689	-	689	888
Maintenance and repairs	556	-	556	1,300
Buildings and grounds maintenance and repairs	5,973	-	5,973	7,504
Depreciation	3,930	-	3,930	3,930
Total local generating plant expenses	<u>38,937</u>	<u>-</u>	<u>38,937</u>	<u>42,512</u>
Generating plant - Neal 4:				
Fuel	222,475	-	222,475	192,350
Maintenance and repairs	48,081	-	48,081	53,458
Operating	53,173	-	53,173	56,108
Property taxes	31,224	-	31,224	18,711
Depreciation	62,767	-	62,767	62,476
Other	14,288	-	14,288	19,743
Total Neal 4 generating plant expenses	<u>432,008</u>	<u>-</u>	<u>432,008</u>	<u>402,846</u>
Distribution system - electric:				
Line and station supervision and labor	12,715	-	12,715	11,509
Line and station supplies and expense	1,052	-	1,052	293
Street lighting and signals labor and expense	1,059	-	1,059	261
Customers' installation expense	14,129	-	14,129	10,170
Miscellaneous distribution expense	1,982	-	1,982	2,171
Maintenance of lines	28,200	-	28,200	27,894
Maintenance of line transformers	1,793	-	1,793	4,976
Maintenance of street lighting and signal systems	8,174	-	8,174	3,088
Maintenance of meters	1,910	-	1,910	7,993
Depreciation	49,533	-	49,533	50,353
Total electric distribution expense	<u>120,547</u>	<u>-</u>	<u>120,547</u>	<u>118,708</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>Electric</u>	<u>Electric Communications</u>	<u>Total</u>	<u>2006 Total</u>
<u>OPERATING EXPENSES - (Continued)</u>				
Distribution system - communications:				
Line and station supervision labor	\$ -	\$ 957	\$ 957	\$ 544
Operating supplies and expense	-	4,364	4,364	3,731
Customers' installation expense	-	22,370	22,370	22,059
Line maintenance	-	3,563	3,563	3,499
Nodes, amps, and peds maintenance	-	6,925	6,925	11,147
Voice port maintenance	-	1,786	1,786	1,638
Property taxes	-	2,347	2,347	10,422
Depreciation expense	-	177,012	177,012	163,076
Total communications distribution expense	-	219,324	219,324	216,116
Transmission system:				
Amortization	4,844	-	4,844	4,844
Depreciation	59,006	-	59,006	55,724
Capacity assignment costs	26,347	-	26,347	25,380
Other	31,537	-	31,537	30,668
Total transmission system expenses	121,734	-	121,734	116,616
Customers' accounts expense:				
Bad debt expense	6,000	-	6,000	3,898
Meter reading labor	6,274	-	6,274	6,270
Total customer accounts expense	12,274	-	12,274	10,168
Administrative and general expense:				
Administrative and general salaries	77,956	-	77,956	66,832
Conservation expense	11,002	-	11,002	4,009
Office supplies and postage	8,248	-	8,248	9,270
Audits, legal, and consultation services	11,196	-	11,196	15,591
Property insurance	9,759	-	9,759	10,115
Compensation insurance	4,134	-	4,134	4,796
Employees' group insurance	26,630	-	26,630	23,864
Trustees' fees	900	-	900	900
Dues and subscriptions	5,010	-	5,010	5,720
Franchise requirements - cash payments to City of Laurens	30,000	-	30,000	30,000
Franchise requirement - cost of services to City of Laurens	15,064	-	15,064	6,557
Legal publications	2,123	-	2,123	1,902
Advertising and promotion	2,370	-	2,370	1,806
Convention, meeting, and travel expense	1,424	-	1,424	4,071
Depreciation	9,237	-	9,237	8,202
Bank service charges	271	-	271	99
Motor vehicle and work equipment expense	12,456	-	12,456	19,187
Miscellaneous	6,264	-	6,264	3,445
Total administrative and general expense	234,044	-	234,044	216,366
Total operating expense	2,106,569	219,324	2,325,893	2,137,947
Income (loss) from operations	24,604	(44,324)	(19,720)	(58,775)

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>Electric</u>	<u>Electric Communications</u>	<u>Total</u>	<u>2006 Total</u>
<u>NON-OPERATING REVENUE AND EXPENSE</u>				
Revenues from merchandising			\$ 32,480	\$ 33,932
Costs of merchandising			<u>26,410</u>	<u>25,128</u>
Gross profit			6,070	8,804
Interest earned on investments			125,152	118,260
Amortization of bond issue costs			(2,406)	(2,406)
Interest expense			(79,012)	(87,831)
Deferred patronage allocations			<u>6,802</u>	<u>6,356</u>
Non-operating income			<u>56,606</u>	<u>43,183</u>
Net income (loss)			<u>\$ 36,886</u>	<u>\$ (15,592)</u>

LAURENS MUNICIPAL LIGHT AND POWER PLANT
ELECTRIC PLANT
DECEMBER 31, 2007

Schedule 1

	Utility Plant						Accumulated Depreciation				
	Balance January 1, 2007	Additions	Transfers	Deletions	Balance December 31, 2007	Depreciation Rate	Balance January 1, 2007	Expense	Transfers	Retirements	Balance December 31, 2007
<u>Generating Plant - Local</u>											
Land and land rights	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -
Structures and improvements	93,899	-	-	-	93,899	3.25	81,485	3,052	-	-	84,537
Fuel holders, producers and accessories	29,273	-	-	-	29,273	3.00	13,767	878	-	-	14,645
Generators	305,326	-	-	-	305,326	3.00	305,326	-	-	-	305,326
Accessory equipment	76,083	-	-	-	76,083	3.00	76,083	-	-	-	76,083
	<u>510,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>510,581</u>		<u>476,661</u>	<u>3,930</u>	<u>-</u>	<u>-</u>	<u>480,591</u>
<u>Generating Plant - Neal 4</u>											
Land and land rights	3,047	-	-	-	3,047	0.00	-	-	-	-	-
Structures and improvements	266,317	1,416	-	606	267,127	3.25	221,743	8,668	-	606	229,805
Boiler plant equipment	1,183,937	28,168	-	5,362	1,206,743	3.25	926,986	38,849	-	5,362	960,473
Generators	276,020	-	-	-	276,020	3.00	203,618	8,281	-	-	211,899
Accessory equipment	201,299	127	-	-	201,426	3.00	157,995	6,041	-	-	164,036
Miscellaneous power plant equipment	16,575	-	-	-	16,575	3.25	13,070	539	-	-	13,609
Other equipment	11,866	238	-	53	12,051	3.25	-	389	-	53	336
	<u>1,959,061</u>	<u>29,949</u>	<u>-</u>	<u>6,021</u>	<u>1,982,989</u>		<u>1,523,412</u>	<u>62,767</u>	<u>-</u>	<u>6,021</u>	<u>1,580,158</u>
<u>Transmission Plant - Local</u>											
Land and land rights	2,759	-	-	-	2,759	0.00	-	-	-	-	-
Station equipment	900,273	-	-	-	900,273	2.60	358,356	23,407	-	-	381,763
	<u>903,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>903,032</u>		<u>358,356</u>	<u>23,407</u>	<u>-</u>	<u>-</u>	<u>381,763</u>
<u>Transmission Plant - Other</u>											
Land and land rights	5,634	-	-	-	5,634	0.00	-	-	-	-	-
Structures and improvements	3,938	-	-	-	3,938	3.25	2,990	128	-	-	3,118
Station equipment	75,948	8,333	-	747	83,534	2.60	37,482	2,073	-	747	38,808
Towers and fixtures	60,885	-	-	-	60,885	2.75	40,458	1,674	-	-	42,132
Conductors and devices	16,487	-	-	-	16,487	2.75	11,537	453	-	-	11,990
	<u>162,892</u>	<u>8,333</u>	<u>-</u>	<u>747</u>	<u>170,478</u>		<u>92,467</u>	<u>4,328</u>	<u>-</u>	<u>747</u>	<u>96,048</u>
<u>Transmission Plant - Corn Belt</u>											
Land and land rights	58,788	2,629	-	-	61,417	0.00	-	-	-	-	-
Structures and improvements	906,614	60,116	-	5,801	960,929	2.75	369,665	26,752	-	10,108	386,309
Original local line	39,008	-	-	-	39,008	2.75	39,008	-	-	-	39,008
West sub tie line	122,816	-	-	-	122,816	2.75	100,565	3,377	-	-	103,942
Marathon substation	41,541	-	-	-	41,541	2.75	2,855	1,142	-	-	3,997
	<u>1,168,767</u>	<u>62,745</u>	<u>-</u>	<u>5,801</u>	<u>1,225,711</u>		<u>512,093</u>	<u>31,271</u>	<u>-</u>	<u>10,108</u>	<u>533,256</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
ELECTRIC PLANT
DECEMBER 31, 2007

Schedule 1
(Continued)

	Utility Plant						Accumulated Depreciation				
	Balance January 1, 2007	Additions	Transfers	Deletions	Balance December 31, 2007	Depreciation Rate	Balance January 1, 2007	Expense	Transfers	Retirements	Balance December 31, 2007
<u>Distribution System</u>											
Land and land rights	\$ 1,055	\$ -	\$ -	\$ -	\$ 1,055	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -
Structures and improvements	11,525	-	-	-	11,525	2.50	9,827	288	-	-	10,115
Station equipment	37,085	-	-	-	37,085	2.90	37,085	-	-	-	37,085
Poles, towers and equipment	6,843	-	-	-	6,843	3.25	6,522	222	-	-	6,744
Overhead conductors and devices	-	-	-	-	-	2.50	-	-	-	-	-
Underground conduits	2,395	-	-	-	2,395	2.60	2,300	62	-	-	2,362
Underground conductors and devices	6,888	-	-	-	6,888	2.60	5,767	179	-	-	5,946
Line transformers	422,861	-	-	-	422,861	2.80	161,173	11,840	-	-	173,013
Services	15,314	-	-	-	15,314	3.30	13,479	505	-	-	13,984
Meters	104,460	-	-	-	104,460	3.10	61,410	3,238	-	-	64,648
Installation on customers premises	2,674	-	-	-	2,674	4.00	2,028	107	-	-	2,135
Street lighting and signal system	85,610	-	-	-	85,610	4.00	83,548	2,062	-	-	85,610
Underground primary systems	693,311	56,991	-	23,018	727,284	2.90	126,369	20,599	-	23,018	123,950
Underground secondary systems	156,035	-	-	-	156,035	2.90	110,079	4,525	-	-	114,604
Underground customer service	203,646	-	-	-	203,646	2.90	143,275	5,906	-	-	149,181
Fire siren	212	-	-	-	212	4.00	212	-	-	-	212
Special services for customers	1,489	-	-	-	1,489	4.00	1,489	-	-	-	1,489
	<u>1,751,403</u>	<u>56,991</u>	<u>-</u>	<u>23,018</u>	<u>1,785,376</u>		<u>764,563</u>	<u>49,533</u>	<u>-</u>	<u>23,018</u>	<u>791,078</u>
<u>Other Equipment</u>											
Structures and improvements	55,008	-	-	-	55,008	2.5-5.0	12,902	2,012	-	-	14,914
Office furniture and fixtures	30,341	2,046	-	-	32,387	6.7-20.0	25,139	1,734	-	-	26,873
Transportation equipment	29,360	-	-	-	29,360	10.0-14.3	29,360	-	-	-	29,360
Stores equipment	497	-	-	-	497	0.00	497	-	-	-	497
Shop equipment	17,944	-	-	-	17,944	3.3-20.0	17,404	74	-	-	17,478
Laboratory equipment	16,238	3,323	-	-	19,561	5.0-10.0	14,159	1,125	-	-	15,284
Work equipment	112,151	1,348	-	-	113,499	5.0-20.0	77,629	3,168	-	-	80,797
Communication equipment	21,593	-	-	-	21,593	5.0-10.0	20,226	1,124	-	-	21,350
Miscellaneous equipment	1,289	-	-	-	1,289	13.0	1,289	-	-	-	1,289
	<u>284,421</u>	<u>6,717</u>	<u>-</u>	<u>-</u>	<u>291,138</u>		<u>198,605</u>	<u>9,237</u>	<u>-</u>	<u>-</u>	<u>207,842</u>
<u>Communication Distribution System</u>											
Conduit	64,486	-	-	-	64,486	5.00	24,868	3,224	-	-	28,092
Fiber and cable	806,027	4,497	-	-	810,524	5.00	264,037	40,414	-	-	304,451
Power supplies	292,933	-	-	-	292,933	14.29	292,933	-	-	-	292,933
Nodes	109,170	52,908	-	-	162,078	10.00-20.0	77,686	16,208	-	-	93,894
Amps	239,958	53,330	-	-	293,288	10.00-20.0	186,275	29,329	-	-	215,604
Pedestals	70,160	7,177	-	-	77,337	10.00-20.0	55,737	7,734	-	-	63,471
Voice ports	620,864	51,116	-	-	671,980	10.00-20.00	380,742	67,875	-	-	448,617
System passives	49,512	43,855	-	-	93,367	10.00-20.0	39,298	9,337	-	-	48,635
Head end building	57,810	-	-	-	57,810	5.00	23,017	2,891	-	-	25,908
	<u>2,319,920</u>	<u>212,883</u>	<u>-</u>	<u>-</u>	<u>2,532,803</u>		<u>1,344,593</u>	<u>177,012</u>	<u>-</u>	<u>-</u>	<u>1,521,605</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
ELECTRIC PLANT
DECEMBER 31, 2007

Schedule 1
(Continued)

	Utility Plant				Depreciation Rate	Accumulated Depreciation				
	Balance January 1, 2007	Additions	Transfers	Deletions		Balance January 1, 2007	Expense	Transfers	Retirements	Balance December 31, 2007
Total electric plant in service	\$9,051,077	\$ 377,618	\$ -	\$ 35,587		\$5,270,750	\$ 361,485	\$ -	\$ 39,894	\$5,592,341
Construction in progress	62,325	(29,370)	-	-		(5)	-	-	165	(170)
Total utility plant	\$9,113,402	\$ 348,248	\$ -	\$ 35,587		\$5,270,745	\$ 361,485	\$ -	\$ 40,059	\$5,592,171

LAURENS MUNICIPAL LIGHT AND POWER PLANT
COMMENTS ON BALANCE SHEET
DECEMBER 31, 2007

CAPITAL ASSETS

Cost	\$9,426,063	
Accumulated Depreciation	<u>5,592,171</u>	<u>\$3,833,892</u>

Details of the utility plant are shown in the preceding schedule.

PLANT ACQUISITION COSTS \$ 20,829

The cost of acquiring the Common Transmission System is being amortized over the remaining useful life of the transmission system.

NOTES RECEIVABLE – NON-CURRENT PORTION \$ 563,425

This balance consists of the non-current portion of a note receivable from the city of Marathon and the Laurens Industrial Foundation, Inc. See Note 6 for details.

COMMON TRANSMISSION SYSTEM - CAPITAL IMPROVEMENT FUND \$ 221,021

This account is currently used to record funds deposited with NIMECA to be used for future construction and/or maintenance of the common transmission system.

INVESTMENTS \$ 200,000

This balance consists of the following:

<u>Description</u>	<u>Date</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Cost and Book Value</u>	<u>Maturity Value</u>
Laurens State Bank, Laurens, Iowa Certificate of deposit	8-21-07	2-21-09	5.25%	<u>\$200,000</u>	<u>\$200,000</u>

BOND ISSUANCE COSTS \$ 16,642

Legal fees and other expenses associated with the issuance of the electric revenue notes are being amortized on the straight line method over the term of the bonds.

BOND IMPROVEMENT FUND \$ 100,000

This balance consists of the following:

	<u>Interest Rate</u>	<u>Amount</u>
Laurens State Bank, Laurens, Iowa Super NOW account	1.00%	<u>\$100,000</u>

BOND RESERVE FUND\$ 273,500

This balance consists of the following:

<u>Description</u>	<u>Date</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Cost and Book Value</u>	<u>Maturity Value</u>
Laurens State Bank, Laurens, Iowa					
Certificate of deposit	6-13-07	6-13-08	5.25%	\$200,000	\$200,000
IPAITS Savings Account			4.79%	<u>73,500</u>	<u>73,500</u>
				<u>\$273,500</u>	<u>\$273,500</u>

BOND RETIREMENT SINKING FUND\$ 22,781

This balance consists of the following:

	<u>Interest Rate</u>	<u>Amount</u>
Laurens State Bank, Laurens, Iowa		
Super NOW account	1.00%	<u>\$22,781</u>

DEFERRED PATRONAGE REFUND RECEIVABLE\$ 40,487

The following is a summary of the deferred patronage due from NIMECA:

<u>Year</u>	<u>Amount</u>
1995	\$ 458
1996	2,776
1997	2,817
1998	3,048
1999	2,032
2000	1,863
2001	1,948
2002	2,555
2004	5,715
2005	4,118
2006	6,356
2007	<u>6,801</u>
	<u>\$40,487</u>

TEMPORARY CASH INVESTMENTS\$ 700,000

This balance consists of the following:

<u>Description</u>	<u>Date</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Cost and Book Value</u>	<u>Maturity Value</u>
Laurens State Bank, Laurens, Iowa					
Certificates of deposit	8-19-06	2-19-08	5.50%	\$100,000	\$100,000
	9-19-06	9-19-08	5.40%	200,000	200,000
	5-04-07	5-04-08	5.10%	200,000	200,000
	6-21-07	3-21-08	5.30%	<u>200,000</u>	<u>200,000</u>
				<u>\$700,000</u>	<u>\$700,000</u>

ACCOUNTS RECEIVABLE\$ 317,625

This balance consists of the following:

Accounts receivable - merchandise	\$ 8,468
Accounts receivable - energy:	
November 15, 2007 - December 15, 2007 and past due	239,914
December 15, 2007 - December 31, 2007	72,200
Resale - Marathon	<u>8,043</u>
	328,625
Less: Reserve for uncollectible accounts	<u>11,000</u>
	<u>\$317,625</u>

NOTES RECEIVABLE - CURRENT PORTION\$ 7,066

This balance consists of the current portion of a note receivable from the city of Marathon. See Note 6 for details.

JOINT USE CONTRACT RECEIVABLE\$ 175,000

This balance consists of the amount due from Laurens Municipal Broadband Communications Utility for rent of the distribution system.

INVENTORIES\$ 151,310

This inventory of material and supplies is based on a physical count taken as of December 31, 2007, and consists of the following:

Material and supplies - Laurens	\$ 54,239
Generating supplies - Laurens	9,516
Share of coal, oil, and SO2 allowances - Neal 4	<u>87,555</u>
	<u>\$151,310</u>

ACCRUED INTEREST RECEIVABLE\$ 42,420

This balance represents interest earned but not received on investments at December 31, 2007.

PREPAID EXPENSES\$ 35,937

This balance consists of the following:

Prepaid insurance	\$ 4,410
Prepaid operations for Neal 4 generating plant	<u>31,527</u>
	<u>\$35,937</u>

The following is a summary of the local insurance coverage:

<u>Kind</u>	<u>Coverage</u>	<u>Amount</u>
Comprehensive general liability	General Aggregate	\$2,000,000
	Each Occurrence	\$1,000,000
	Fire Damage	\$100,000
	Medical Expense	\$5,000
Employee Benefit		\$100,000
Automobile	Liability	\$1,000,000
	Uninsured motorist	\$500,000
	Underinsured motorist	\$500,000
	Medical payments	\$5,000
	Comprehensive	Actual cash value
	Collision	Actual cash value
	(94 Chevrolet Pickup, 91 Chevrolet Pickup)	Less \$100 deductible
	(67 Ford Truck, 73 Chevrolet Truck)	Less \$1,000 deductible
Blanket Position Bond	Employee dishonesty	\$150,000 each
Fire and extended coverage	Buildings & contents - Generating	\$1,329,034
	Fuel Oil Tanks & Contents	\$28,966
	East and West substations and contents, switchgear and transformers	\$2,534,691
	Warehouse and contents	\$123,876
	Garage and contents	\$153,697
	Cable television tower	\$166,213
	Headend building and contents	\$574,343
	Satellite dishes	\$47,671
	Power supplies, nodes, amplifiers	\$264,198
Worker's Compensation		\$500,000
Umbrella Liability		\$2,000,000
		\$10,000 retained
Errors and Omissions		\$1,000,000
		\$2,000 deductible
Inland Marine (\$250 deductible)	'70 John Deere Tractor	\$1,400
	Electronic Data Processing Equipment	\$6,397
	Electronic Data Processing Data & Media	\$25,300
	Locator/detection device	\$6,550
	Candux rudder tape	\$1,250

This schedule is presented for information purposes only and no opinion is expressed as to the adequacy of coverage.

ELECTRIC REVENUE BONDS\$ 1,221,449

In July 1999 the Utility issued electric revenue bonds to finance the construction of a communications system. The details are as follows:

Total bond proceeds	\$2,855,000
Less: Unamortized discount	(8,551)
Current maturities	(205,000)
Previous payments	<u>(1,420,000)</u>
Total long-term debt	<u>\$1,221,449</u>

DUE TO COMMUNICATIONS UTILITY\$ 322,746

This balance consists of amounts borrowed from the communications utility.

ACCOUNTS PAYABLE\$ 126,870

This balance consists of the following:

Western Area Power Administration -	
December 2007 power bill	\$ 27,122
NIMECA - December 2007 power bill	74,689
Neal 4 coal purchase	14,192
Alliant Energy - capacity assignment costs	9,079
Laurens Plumbing – repairs/maintenance	1,006
Various, each less than \$1,000	<u>782</u>
	<u>\$ 126,870</u>

CUSTOMER DEPOSITS\$ 18,557

Deposits are required of all new customers. These are refunded after one year of paying their bills when due.

OTHER CURRENT AND ACCRUED LIABILITIES\$ 56,760

This balance consists of the following items:

Accrued property taxes payable	\$ 33,000
Accrued vacations, payroll, and benefits	8,376
Payroll taxes withheld and accrued	3,292
Sales tax payable	6,395
Accrued interest payable	<u>5,697</u>
	<u>\$ 56,760</u>

NET ASSETS\$4,770,553

Following is a summary of the changes in this account during 2007:

Balance, January 2007	\$4,865,089
Change in net assets	36,886
Residual equity transfer to city - funding	(100,000)
Residual equity transfer to city - donation	<u>(31,422)</u>
Balance, December 31, 2007	<u>\$4,770,553</u>

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Laurens Municipal Light and Power Plant
Laurens, Iowa

We have audited the accompanying financial statements of Laurens Municipal Light and Power Plant, as of and for the year ended December 31, 2007, and have issued our report thereon dated June 23, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Utility's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Utility's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Utility's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Utility's financial statements that is more than inconsequential will not be prevented or detected by the Utility's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Utility's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the Schedule of Findings, we believe items (A) and (B) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of non compliance or other matter that is described in the accompanying schedule of findings.

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Utility's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Utility's responses, we did not audit the responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Laurens, Iowa and other parties to whom Laurens Municipal Broadband Communications Utility may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Utility during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

June 23, 2008



LAURENS MUNICIPAL LIGHT AND POWER PLANT

SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2007

Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Utility should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The Board of Trustees along with the General Manager will review the financial statements and internal control procedures, in detail, every month. The duties of opening mail, bank deposits, recording receipts and disbursements, bank reconciliations and payroll preparation will be monitored daily by the General Manager. The Utility will continue to require two (2) signatures on all check disbursements.

Conclusion - Response accepted.

- (B) Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for Utility board members to make management decisions, reporting financial data reliably in accordance with U.S. generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response - The Utility will work to obtain additional training for our staff in order to improve our ability to prepare reliable monthly financial statements. The Utility will continue to work with our auditors on a monthly basis in order to keep our records up to date.

Conclusion - Response accepted.

LAURENS MUNICIPAL LIGHT AND POWER PLANT

SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2007

Other Findings Related to Statutory Reporting

1. Budget - Utility expenses during the year ended December 31, 2007 exceeded the amounts budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before expenses were allowed to exceed the budget.

Response - The Board of Trustees along with the General Manager will review the budget and monthly financial statements, in detail, every month.

Conclusion - Response accepted.
2. Questionable Expenditures - We noted no expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of Utility money for travel expenses of spouses of Utility officials or employees were noted.
4. Business Transactions - We noted no business transactions between the Utility and Utility officials or employees.
5. Bond Coverage - Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Trustee Minutes - No transactions were found that we believe should have been approved in the Trustee minutes but were not.
7. Revenue Bonds - The Utility has established the sinking and reserve accounts required by the electric revenue bond resolution.
8. Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.